



*News From*

# JACK DOYLE

## MONROE COUNTY EXECUTIVE

**For Immediate Release**

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### **DOYLE OFFERS LONG-TERM PROPERTY TAX STABILITY PLAN**

Monroe County Executive Jack Doyle today announced a plan to "securitize" the county's future payments under the National Tobacco Settlement, stabilizing county property taxes for the foreseeable future.

Under the terms of the plan, the county would sell its rights to the future payments in return for a lump sum payment this year -- funds that would be used to reduce the county's debt load by more than 25 percent, avoid the issuance of \$54 million in future debt for major construction projects and create a fund to acquire and preserve green space in the county. In total, the plan will retire approximately \$100 million in principal and interest.

Securitization also passes the many risks inherent in the tobacco settlement away from county taxpayers and on to investors.

The county's commitment to fund a major tobacco prevention campaign and quit line remains at \$500,000 a year after this year.

"This plan will stabilize property taxes into the foreseeable future, and stable property taxes are this community's best bet for future economic prosperity," Doyle said. "In addition, by reducing our debt and eliminating the need to issue nearly \$54 million in new debt, we pass along these benefits to our children."

In addition, Doyle announced that he will propose an increase of an additional two percent in the Hotel Room Occupancy Tax -- raising it from four to six percent -- to support operations at a future major community facility. Until such time as the facility is built, the funds would be earmarked for use by the Greater Rochester Convention and Visitor's Association to initiate a major community image campaign.

The increase in the Hotel Room Occupancy Tax would raise about \$1.9 million a year.

Through securitization, the County will eliminate the risk that future financial problems at the major tobacco companies would endanger the payments under the Master Settlement Agreement -- negotiated by the Attorneys General of 46 states last year. In addition, in the face of long-term declining sales of cigarettes, the county's payments under the settlement would likely decrease.

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Under the plan, Monroe County would receive \$137 million immediately, and would continue to receive a stream of payments – called “residual payments” – throughout the life of the tobacco settlement. The value of those payments, in 2000 dollars, is calculated at \$71 million – for a total of \$208 million in year 2000 dollars.

The value of the future stream of tobacco settlement payments, in year 2000 dollars is \$221 million – meaning that Monroe County would receive 94 percent of the value of the future payment stream, while shedding much of the risk associated with those payments.

The values cited are the product of a “net present value” analysis – a commonly accepted tool used by economists to compare the values of current and future dollars. It assumes a discount rate of 6.7 percent.

The legal mechanism to securitize Monroe County’s Tobacco Settlement revenue calls for the creation of a local development corporation (LDC) and a trust. They will be known as the Monroe County Tobacco Settlement Corporation and the Monroe County Property Tax Stabilization Trust.

“In essence, securitization allows us to pay down the mortgage on our children’s future,” said County Executive Doyle. “By securing an immediate payment now, we eliminate our relationship and our dependency on the major tobacco companies and free our taxpayers of the risks associated with that industry.”

Several municipalities in New York State have opted to use securitization. The City of New York, Nassau and Westchester Counties have already closed on securitization deals tied to their respective Tobacco Settlement payments. Erie County and the States of Alaska, Virginia and Colorado are currently formulating plans to do so.

Monroe County’s plan is unique among New York municipalities, however, in its application of the proceeds of the securitization to reduce the county’s debt while stabilizing property taxes.

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